

ADFA BOND GUARANTY PROGRAM SEQUENCE OF EVENTS

1. **PRE-APPLICATION PROCESS** – The pre-application form, which is completed by the borrower, gives the ADFA staff the elementary information necessary to evaluate the project's chances for bond guaranty. The completed pre-application will also inform the staff about the company and allow the bond counsel to make a preliminary decision about the project's ability to qualify for a tax-exempt IDB from a legal standpoint.
2. **DECLARATION OF INTENT** – This declaration, also called an Inducement Resolution, is used to fulfill IRS regulations to show "intent" to use tax-exempt IDB financing. Any project costs expended prior to the date of the declaration will be ineligible for IDB financing. This document is valid for 3 years after the date of signatures, or 18 months from date the project is placed in service. The Declaration is non-binding on the Authority and the borrower.
3. **FORMAL APPLICATION** – Formal application should be submitted as close to the first of the month as possible for timing purposes. The application should include normal information required by lenders such as annual financial statements, pro-forma statements, project cost estimates, business history, industry analysis, source and use of funds, project description, and resumes and personal financial statements of the major owners (>10%).
4. **STAFF REVIEW** – Once the formal application is received, the ADFA staff will review the information and hold a meeting to formulate a recommendation for the ADFA Board of Directors. This review generally takes seven to ten days time. The borrower is informed of the staff recommendation after this review.
5. **ADFA BOARD PRESENTATION** – The application and with the staff recommendation is presented to the Board at its regularly scheduled meeting on the third Thursday of each month. The presentation is made during "Executive Session" which is closed to the public. If a positive vote is given the file returns to the staff for closing preparations.
6. **COMMITMENT LETTER** – After the positive vote, the staff will prepare a commitment letter to be mailed to the borrower. The letter will contain the terms and requirements of the ADFA Bond Guaranty and will provide the framework for the documentation necessary for closing.
7. **TEFRA HEARING** – Federal IRS regulations and State law require a public hearing be held in the locality in which the project will be located. Once the required 14 day notice is published, the meeting is held to give the public an opportunity to discuss the advantages and disadvantages of using tax-exempt bonds to finance the project.
8. **INTERIM LOAN** – Since ADFA uses a pooled bond issue concept, there frequently is a lengthy time lag before all of the projects in a pool are ready to close. For this reason an interim loan option is available for those borrowers who wish to proceed with their projects. The rate on the interim loan is very favorable to the borrower and is paid off with proceeds of the bond issue. Interim loans may also be provided by any lender which will be repaid with bond proceeds.



9. **BOND CLOSING** – Once the conditions of the Commitment Letter are met and the required documentation is assembled, a formal closing can be held. Generally, a pre-closing meeting is held a few days before the formal closing to iron out any last minute details of the bond issue. This meeting is held to insure an orderly formal closing since tax-exempt bond financing is a highly structured and complicated affair. After closing, all proper draw requests for eligible project expenditures are forwarded to the ADFA staff for approval and then to the Trustee for disbursement of funds.

